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ABSTRACT

In this paper we provide a review and synthesis of some of the available information and data regarding Vietnam’s exchange rate regime, as well as an analysis of whether, and to what extent, the conduct of exchange rate policy has been consistent with a number of likely key policy goals. To facilitate the analysis, annual and monthly data are compiled for both the nominal and real effective exchange rates (NEER and REER). The analysis suggests that the authorities have tended to place primary emphasis on maintaining stability in the nominal, bilateral VND/USD exchange rate, possibly with a view to achieving inflation control. As a consequence, there have been periods when the REER appreciated, indicating losses in international competitiveness. The official exchange rate’s stability has also acted as a retardant in the development of the country’s foreign exchange market. Ironically, it appears that this stability has been neither necessary nor sufficient for inflation control.

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